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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Secretary Of Defense

DOD's Beef Procurement Program Still Needs Improvement

COMPLETED

GAO reviews in 1976 and 1978 identified problems in DOD's beef procurement and quality control practices and made recommendations for corrective action.

In this followup report, GAO found that, although DOD did take some corrective actions, further improvements are still needed. DOD should revise its procedures for buying beef -- especially those at odds with Department of Agriculture specifications and standards -- to attract more suppliers.

PLRD-82-32
FEBRUARY 17, 1982

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

PROCUREMENT, LOGISTICS,
AND READINESS DIVISION

B-206312

The Honorable Caspar W. Weinberger
The Secretary of Defense

Attention: Director, GAO Affairs

Dear Mr. Secretary:

This report discusses the Department of Defense's beef program and suggests alternatives which will improve procurement actions and assure that satisfactory products will be delivered at fair and reasonable prices.

Department of Defense officials, with whom we discussed the results of our review, generally concurred with our findings and conclusions.

This report contains recommendations to you on pages 13 and 17. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen, House Committee on Government Operations, Senate Committee on Governmental Affairs, and House and Senate Committees on Appropriations; the Director, Office of Management and Budget; and the Secretary of Agriculture.

Sincerely yours,

Donald J. Horan

Donald J. Horan
Director

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GENERAL ACCOUNTING OFFICE
REPORT TO THE SECRETARY
OF DEFENSE

DOD'S BEEF PROCUREMENT PROGRAM STILL NEEDS IMPROVEMENT

D I G E S T

In 1976 and 1978, GAO and other organizations identified serious problems concerning the Department of Defense's beef procurement practices. This review was conducted as a followup to assess the adequacy of the changes and improvements Defense had made to deal with the problems previously identified.

In earlier reviews of the beef procurement program, GAO and other investigating agencies recommended actions to eliminate overly complex and rigid specifications, stop the acceptance of poor quality and over priced beef, and increase the number of beef purveyors supplying the troop feeding program.

Defense subsequently made a number of changes. For example:

--It no longer uses military specifications to purchase beef products for feeding troops. (See p. 6.)

--It now uses Department of Agriculture meat graders instead of its own in-plant inspectors.

--It has reduced the frequency of its beef buys and now requires that all prices offered be in writing. (See p. 6.)

Although GAO believes these changes are desirable, they have not resulted in increasing the number of beef suppliers in the program. In fact, GAO found that since 1975 the number of Defense beef suppliers has decreased substantially. (See p. 6.) Only a few firms offered to supply many of the items being procured and even fewer received the bulk of the awards.

GAO solicited the views of beef industry representatives and beef purveyors to identify elements of Defense's beef program that inhibit competition. Among the major factors cited were a lack of long-term contracts, specification requirements, the cost of quality assurance inspections, and late payment for products delivered.

Defense has not fully coordinated specification changes and differences with the Agriculture Department. One important specification difference concerns the temperature to which processed beef products must be lowered before inspectors can accept them. Agriculture accepts the beef it purchases at 10 degrees fahrenheit, while Defense requires its beef to be at zero degree fahrenheit. There are also differences in the two departments' quality acceptance methods and practices. These discrepancies have caused confusion among Federal inspectors and beef purveyors and have resulted in increased costs to the Government.

RECOMMENDATIONS

To attract more beef suppliers, Defense should use long-term contracts of sufficient duration and quantity to enable new suppliers to defray the startup costs involved in satisfying troop feeding needs. (See p. 13.) GAO believes this would overcome some of the concerns expressed about special product requirements and inspections. Efforts currently underway to speed up payments to vendors should also encourage competition.

GAO also recommends that Defense establish effective coordination with the Agriculture Department and resolve existing differences in specifications and quality assurance.

AGENCY COMMENTS AND GAO'S EVALUATION

Defense concurred with GAO's recommendation for the use of long-term contracts. The Defense Personnel Support Center is

currently analyzing the economies of larger, less frequent purchases of beef products. Also under consideration is the requirement for additional storage space if larger purchases are made.

Defense concurred with the need to establish effective coordination and plans a spring 1982 meeting to improve interagency communication. However, Defense does not concur with the adoption of a single product temperature requirement if it is higher than zero degree fahrenheit. It believes this temperature is necessary for a 10-month shelf life which is needed to ensure the acceptability of the beef product throughout its worldwide distribution system.

GAO believes Defense should reconsider its position on adopting a single temperature and review the possibility of raising the temperature on beef products bound for customers within the continental United States. Defense could realize a cost savings and an increase in the number of meat purveyors competing for its beef contracts. (See p. 17.)

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ABBREVIATIONS

DOD	Department of Defense
DPSC	Defense Personnel Support Center
GAO	General Accounting Office
IMPS	institutional meat purchase specifications
USDA	U.S. Department of Agriculture

CHAPTER 1

INTRODUCTION

The objective of the Department of Defense (DOD) Food Service Program is the effective use of personnel, material, and funds to provide the highest standards of foods and food service. DOD beef procurement is under the joint control of DOD and the U.S. Department of Agriculture (USDA).

GOVERNMENT AGENCIES' ROLE

The DOD Food Planning Board provides policy guidance for the program. The Armed Forces Product Evaluation Committee helps the Board to resolve specification problems and constantly reviews all food in the DOD supply system to delete or add items as needed.

The Defense Personnel Support Center (DPSC), Philadelphia, Pennsylvania, is the inventory control point for subsistence for DOD. Within DPSC, the Subsistence Directorate is responsible for the procurement, warehousing, inventory control, and issuance of beef items to feed troops.

During fiscal year 1980, DPSC procured about 92 million pounds of beef items to feed troops at a cost of more than $147 million. Nine individual items accounted for 88 percent of the total pounds procured and 88 percent of the total dollar cost. These nine items were ground beef bulk, ground beef patties, oven roast, pot roast, stewing beef, swiss steak, strip loin steak, rib eye steak, and butt loin steak.

DOD is developing the Defense Integrated Subsistence Management System to encompass all current and future automated information systems supporting subsistence management. The system will modify the existing information system for inventory control (Standard Automated Materiel Management System) for the special requirements of subsistence management. In addition, the overall system will

--centralize all functions of inventory control at DPSC, where all accountability will be maintained;

--provide a comprehensive management information system to meet the needs of all levels of management;

--establish a centralized accounting system that conforms to DOD and GAO standards and assures timely payment to suppliers; and

--improve prediction of requirements and provide more accurate and timely data for procurement.

In June 1981, a task force was established to work on the subsistence management system, which had previously been scheduled for 1980 implementation. The current schedule calls for implementation between late 1983 and late 1985.

USDA is responsible for two major aspects of DOD's beef procurement program. It manages the system of specifications for food items and inspects the quality level of beef and the workmanship of purveyors supplying beef products to DOD.

THE BEEF INDUSTRY'S ROLE

The continually changing beef industry has been emphasizing the development of meat processing. Meat packers slaughter livestock and process meats, while meat processors do not slaughter, but buy meat for further processing and sale to the retail and institutional trade.

Over 4,500 federally inspected meat plants producing a wide variety of products are classed as meat processors. They include the subgroup "meat purveyors," which encompasses about 400 companies that furnish cuts of beef to organizations preparing meals for the public, that is, hotels, hospitals, restaurants, institutions, and DOD. The 400 companies make up the National Association of Meat Purveyors which established a uniform nomenclature and a complete description of portion control meat cuts. These descriptions are published in the illustrated Meat Buyer's Guide which is used to judge meat quality and to assure that competition is on an equitable basis.

USDA and the National Association of Meat Purveyors jointly developed the institutional meat purchase specifications (IMPS) which assign a number and label to each beef item (e.g., IMPS 1102-braising steaks, swiss). A specification describes the part of the animal that the item comes from, the extent of fat, weight tolerances, unacceptable products, and any options available to the buyer. These are the commercial specifications for meat used by volume feeders.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our overall objective was to evaluate DOD's progress in correcting the problems with the procurement of beef that we reported in 1976 and 1978. 1/ In particular, we reviewed the changes made in DOD procedures and practices for purchasing beef to feed troops.

1/"Procurement of Beef by the Department of Defense--Are We Getting Our Money's Worth?" (PSAD-76-142, May 25, 1976). Letter report to Senator Lawton Chiles on DOD's implementation of its two study groups recommendations on procurement of food. (PSAD-78-40, Jan. 13, 1978).

We visited DPSC, USDA, and selected storage sites, military dining facilities, contractors, and restaurant chains. By reviewing DPSC records and interviewing DPSC and USDA officials, we learned what actions have been taken in response to the recommendations in our 1976 and 1978 reports. We reviewed policies and procedures for decisions about requirements, storage, and distribution. We secured from DPSC a record of beef procurements from fiscal years 1976-80 and broke down the procurement awards by contractor, by item, by destination, and by period of time in various combinations.

In addition, we examined procurement solicitations and awards and reviewed contract administration practices for the nine items mentioned on page 1, including the processing of payments. We traced the documentation for a selected period to look at the various steps and times lapsed in processing payments. We also examined current solicitations for procedures used, competition experienced, price evaluations, and awards made.

At DPSC and USDA, we discussed interagency coordination and the need for various quality assurance requirements, including temperature control. At DPSC, USDA storage sites, dining facilities, and contractors, we obtained data on acceptance, inspection, and other verifications of the quality of beef. We examined areas where post acceptance inspections had shown problems with the beef received and actions taken to correct the problems. Also, we reviewed the coordination among USDA, the in-plant inspectors, and DOD on these problem shipments. We interviewed institutional purchasers about their procurements of frozen beef.

We conducted a nationwide questionnaire survey of all 79 purveyors on the DPSC Bidders Mailing List which is used to procure carload lots of beef products to feed troops. We also mailed questionnaires to 32 selected purveyors who were no longer on this list as of January 1981. The companies were requested to evaluate various aspects of DPSC's procurement program. (See app. II for details.)

CHAPTER 2

DOD ACTIONS ON RECOMMENDATIONS OF PRIOR INVESTIGATIONS

DOD has changed its beef procurement program since the 1975 and 1976 investigations. Military specifications are no longer used to purchase beef products to feed troops. Further, solicitations for beef products have been reduced from daily to twice a week for several items and once a week for steaks.

As a result of these changes, DOD is using mostly commercial beef products to feed troops. Also, the beef suppliers providing products to DOD no longer have representatives from more than one Government agency in their plants. USDA is now the sole quality assurance representative on federally purchased beef products. However, DOD has not increased the number of beef purveyors supplying it with beef products. In fact, a comparison of 1980 data to 1975 data shows the opposite has happened. In fiscal year 1975, DPSC awarded contracts to 55 beef purveyors. Of these 55, 25 supplied about 98 percent of DPSC's requirements. In fiscal year 1980, it awarded contracts to 38 suppliers. Of these 38, 13 provided 96 percent of DPSC's requirements.

CHANGES RECOMMENDED

During 1975 and 1976 there were numerous investigations of DOD's procurement of meat products. The Subcommittee on Federal Spending Practices and Open Government, Senate Committee on Government Operations; a GAO audit team; two DOD task groups; and a joint DOD-Department of Justice team examined in detail DOD beef procurement practices and methods. The Subcommittee and joint DOD-Justice Department investigations disclosed widespread fraud and resulted in criminal prosecutions and convictions.

In April 1978 the Subcommittee published its findings, stating the most important finding was that competition in the market place for DOD beef contracts did not exist. Consequently, there was an absence of the operational check and balance system which vigorous competition provides. DOD was relying on a select few suppliers for its needs, even when it knew some firms were cheating. Market place signals which indicated that prices offered by these vendors were less than the raw material costs were ignored by DOD contracting officials. According to the Subcommittee, military specifications were the major reason so few suppliers sought beef contracts, and it faulted poor buying and quality assurance practices for enabling unscrupulous suppliers to obtain DOD contracts. In summary, the Subcommittee stated that:

> "Sustained, high level attention by the executive branch and Congress will continue to be needed if the government

is to provide both good food in its procurement programs and the best deal for the taxpayers. A good indicator of success will be the extent to which more suppliers choose to participate in the government marketplace for food."

In response to a Subcommittee request, DOD had two task groups to independently study its food procurement. The Task Group on Subsistence Procurement, formed by the Office of the Assistant Secretary of Defense, developed 83 recommendations; the U.S. Army General Officer Ad Hoc Committee, formed by the Secretary of the Army, developed 85 recommendations. The findings, conclusions, and recommendations of both task groups were similar to the ones we published in our 1976 report.

In 1977, the Subcommittee asked us to review DOD's progress in implementing the above recommendations. For review purposes, we divided the many recommendations into three groups. The recommendations in each group would increase the number of suppliers and provide the competition DOD desired.

Group one dealt with eliminating unnecessary specification requirements and increasing industry's participation in DOD's food procurement program. Group two advocated the development of a new system of quality assurance checks and inspections to prevent nonconforming food products from entering DOD's supply network and to provide industry the assurance that specification requirements would be applied equally to the products of all suppliers. Group three involved major improvements in DOD's procurement practices and procedures, such as:

--Using formal advertising instead of competitive negotiation.

--Using written communications instead of telephone quotes for accepting offers.

--Reducing the number of procurement actions by increasing the size of purchases.

--Establishing a procedure for soliciting contracts on the basis of both free on board origin and destination.

--Having DPSC develop and maintain a market analysis capability and commodity expertise among its contracting officials.

The Senate Subcommittee's objective in making the above recommendations was stated as follows:

"The Commander of the Defense Support Supply Center should take steps to insure that adequate marketplace

anaylysis of military meat contract bids are made. The technique of calculating raw material costs for beef contracts and comparing them to prices bid should be used as a check on the procurement system."

Investigators of the two DOD task groups stated similar objectives for DPSC in their recommendations.

CHANGES MADE BY DOD

DOD has implemented some of the recommendations which were made as a result of the 1975 and 1976 investigations. For example, DOD now uses USDA specifications to buy ground beef products and IMPS to purchase other beef portions. The IMPS is the standard of the hotel, restaurant, and institutional trade and other volume feeders.

In addition, DOD now uses USDA meat graders as its in-plant quality assurance representatives. However, military food inspectors continue to inspect beef products upon arrival at destination and those held in cold storage warehouses (post acceptance inspections).

DOD changed its procurement practices and procedures to require that meat purveyors must submit offers in writing or by teletype. In addition, DPSC has reduced its solicitations of the meat industry from daily to twice a week on some items and once a week on others.

CHANGES NOT MADE BY DOD

DPSC has not increased the volume of individual solicitations, nor has it adopted formal advertising procedures. Also, it does not require meat purveyors to quote both free on board origin and destination prices.

During late 1977 and early 1978, DPSC tested larger volume, long-term delivery, advertised contracts for its beef requirements. The larger volume amounted to one contract for approximately 20 percent of DPSC's requirements for 90 days. The remaining 80 percent was purchased using the weekly procedure. DPSC compared the prices paid under both types of contracts and determined the Government had suffered a loss of over $136,000 using the long-term delivery advertised contract. As a result, DPSC ended the test procurements.

We take issue with DPSC's decision to end its testing of long-term procurements. First, the type of long-term contract recommended by the DOD task force, an indefinite delivery type contract, was not tested. Beef purveyors complained that DOD's main suppliers persuaded DPSC to not test this type of contract. Second, the contractual terms used in the tests, such as definite delivery dates, established quantities, costs reimbursement provisions, and the 90-day contractual period, were chosen by DPSC

to satisfy suppliers' complaints. The main reason for conducting the test procurements was to attract new suppliers, not to satisfy those seeking to maintain the status quo. Also, it was recommended that DPSC advertise at least 50 percent of its beef requirements for the long-term contracts, not the 20 percent eventually reached on the final test.

Third, we believe DPSC's determination that long-term contracts cost the Government $136,000 more than contracts awarded weekly is not based on a valid price analysis. There were no elements of price or contractual terms in the two methods which were similar. The weekly awards amounted to 80 percent of DPSC's 90-day requirements, while the 90-day contract was limited to 20 percent. There were no contracts awarded for the same product, to the same destination, and to the same contractor. We believe DPSC's comparison was basically one of "apples and oranges."

Market research and analysis

DPSC has not developed the capability to perform price analyses on offers submitted in response to its solicitations for beef products. For example, we reviewed the following offers of September 22, 1980, for a stewing beef solicitation.

Contractor location	Delivery location	Pounds	Prices per pound offered
Miami, Fla.	El Paso, Tex.	20,000	$1.9845
Dallas, Tex.	El Paso, Tex.	20,000	$1.9091
Boston, Mass.	El Paso, Tex.	20,000	$1.8411

We asked DPSC officials how the Boston contractor, who received the award, could possibly produce the product and ship it to El Paso, Texas, cheaper than the purveyor located in Dallas or Miami could. DPSC officials could not answer this question because they were not performing the market and price analysis. As a result of not performing the analysis, they would not be able to answer other questions, such as how much of the $1.8411 was for transportation, raw material, and packaging. It was the intent of the recommendations that DPSC be able to perform market and price analyses to answer such questions satisfactorily and to protect the Government's interests. Furthermore, such information is needed to perform cost-benefit analyses on the various elements that make up the DOD beef procurement program.

CHANGES IN DPSC'S NUMBER OF SUPPLIERS

To determine what effect the previously mentioned changes have had on the number of meat processors supplying DPSC with beef products, we updated analyses conducted in prior investigations.

During fiscal year 1975, beef products for feeding troops were obtained from 55 purveyors. In fiscal year 1980, the beef products were supplied by 38 purveyors. In fiscal year 1975, 25 of the 55 supplied about 98 percent of DPSC's requirements. However, during 1980, only 13 of the 38 purveyors provided 96 percent of DPSC's beef products. The following table compares awards made for individual beef products during fiscal years 1975 and 1980 and shows a definite reduction in DPSC's suppliers of beef products.

Ground beef patties	1975 -	Of 811 awards, 68 percent placed with 7 contractors.
	1980 -	Of 693 awards, 88 percent placed with 3 contractors.
Ground beef bulk	1975 -	Of 1,040 awards, 81 percent placed with 11 contractors.
	1980 -	Of 685 awards, 83 percent placed with 5 contractors.
Pot roasts	1975 -	Of 504 awards, 82 percent placed with 8 contractors.
	1980 -	Of 304 awards, 84 percent placed with 5 contractors.
Oven roasts	1975 -	Of 477 awards, 78 percent placed with 7 contractors.
	1980 -	Of 362 awards, 83 percent placed with 5 contractors.
Diced beef	1975 -	Of 247 awards, 81 percent placed with 5 contractors.
	1980 -	Of 250 awards, 86 percent placed with 5 contractors.

CONCLUSIONS

DOD has implemented some of the recommendations resulting from the multiple investigations of the program during 1975 and 1976, and improvements have been made in its beef procurement program. Major changes include the use of (1) commercial specifications for beef products and (2) USDA contract certification services in the quality assurance program.

However, DOD has not achieved its goal of increasing the number of beef purveyors participating in its program; in fact, the number of suppliers has decreased.

CHAPTER 3

ADDITIONAL CHANGES ARE NEEDED TO ATTRACT NEW SUPPLIERS

Our review of DOD's beef procurement program and our query of the meat industry show there are several elements of the program that inhibit participation of many potential meat purveyors. These include payment for delivered products, special military requirements, the costs of quality assurance inspections, and short-term contracts. The most important concern is the short-term contracts. Industry associations and meat purveyors have stated, and we agree, that the special military requirements could be satisfied if DOD increased the quantity of beef products purchased and the period of time involved. Long-term contracts would attract new suppliers by providing them with a commitment of sufficient duration and quantity to cover the costs of meeting new requirements.

TIMELINESS OF PAYMENTS

We noted in our 1976 review of beef procurement that DPSC made payments for carload lots of beef within 22 to 35 days. In 1981 an analysis of selected invoices showed the payment period ranged from 6 to 33 days, with an overall average of 16 days. Although DPSC has improved its payment processing, responses to our questionnaire indicate that suppliers want still faster payment.

About 56 percent of the suppliers indicated that payments from DPSC were not as prompt as payments from their other customers. Also, about 45 percent of the contractors indicated that the slowness of DPSC payments was frequently a primary or the most important reason why they did not offer a price for DPSC beef contracts. Some examples of suppliers' comments and concern follow:

> "* * * Interest rate is too high for the length of time the Government takes to pay* * *."
>
> "Payment is generally slow. Our regular terms are 'net 7 days,' but it generally takes 30 to 40 days to receive payment* * *."
>
> "Greatest over-all problem is delay in receiving payment."
>
> "* * * current interest rates make the length of payment a very large problem. In the meat industry, normal payment is 7 days. When a contract is started, our money is virtually tied up from the time we start putting up the contract till the full amount of time stated in the terms plus mailing time till we receive payment from the Government.

Easily 60 days worth of money are tied up on a contract * * *. (Price less 2 percent net 30)."

Late payment of bills by the Government is not unique to the beef industry. In fact, we have addressed the overall problem of late payments in previous reports and testimony. 1/ Legislation has been introduced which would require Federal agencies to pay interest on overdue payments. 2/ We fully support the intent of the legislation because it is unfair for contractors to suffer financially when the Government fails to pay its bills promptly.

Regarding the beef suppliers' problem of late payments, the industry's standard of payment in 7 days does not appear to be possible under current DPSC procedures. Implementation of the Defense Integrated Subsistence Management System is expected to speed up payments. With the possibility of legislation being passed with penalties for late payments, DPSC may have to act quickly to accelerate its payments.

SPECIFICATION REQUIREMENTS

Although DOD has revised its specifications to be more in line with those used by other volume feeders, other special requirements continue. These special requirements cover product formulation, quality control (inspections), and packaging.

In terms of product formulation, DOD requires ground beef with vegetable protein additive. This type of product is not common to the hotel, restaurant, and institutional trade, and it requires additional equipment to produce.

DOD requires meat processors to reduce the temperature of their finished product to zero degree fahrenheit within 72 hours. DOD has set aside the awards for beef to feed troops for small business only. The majority of the meat purveyors, who also supply the hotel, restaurant, and institutional trade, are small businesses and do not have the equipment necessary to meet DOD's temperature requirement.

USDA requires 10 degrees fahrenheit for the beef products it purchases. USDA officials do not believe that DOD's temperature requirement improves the product DOD is buying, nor does the requirement enhance the shelf life appreciably. DOD believes

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1/"The Federal Government's Bill Payment Performance is Good But Should Be Better" (FGMSD-73-16, Feb. 24, 1978).

"Actions to Improve Timeliness of Bill Paying by the Federal Government Could Save Hundreds of Millions of Dollars" (AFMD-82-11, Oct. 8, 1981).

2/S. 1131, H.R. 2036, and H.R. 4709.

SECURING USDA INSPECTORS

DOD procedures require that suppliers secure USDA inspectors for in-plant quality inspections and that meat delivered has the required USDA seal of approval. Purveyors who do not have USDA quality inspectors "in house" on a continuing basis have to request these inspection services in advance. Besides the normal charge for inspectors, the purveyors have to pay travel costs (per diem).

Most companies who responded to our questionnaire said that they had some problem relative to USDA in-plant inspectors. However, those companies which did not have the inspectors full-time replied that they had the most problems. Of these companies, 10 responded that the cost of USDA inspectors caused them problems in competing for DPSC contracts and was a primary reason for their companies not bidding on DPSC solicitations. Some comments by these contractors were as follows:

> "Cost to bring in USDA inspectors, including travel and lodging is exorbitant."
>
> "* * * must bring a grader over 100 miles for inspection. This requires us to devote the entire capacity of our plant to the DPSC contract in order to best utilize the grader. This is very difficult to work in with our HRI [hotel, restaurant, and institutional] trade."

LONG-TERM COMMITMENT

Industry associations and meat purveyors said the special requirements are overly strict but could be satisfied if beef products were purchased in larger quantities over a longer period. Most purveyors said this would provide the incentives to make the necessary changes to their normal operations to meet the requirements.

Currently, DPSC buys ground beef and roasts twice a week and steaks once a week. Procurement officials said their current suppliers want the biweekly solicitations. However, this practice means that potential suppliers are denied the chance of obtaining a single order large enough to offset the risks mentioned previously and to defray the capital investment required. Industry and procurement officials have estimated the minimum cost of this investment at $150,000 to $200,000. The capital investment, additional risks, and biweekly buying have the net impact of making DOD's beef procurement attractive only to current suppliers. We believe our analysis of the beef contract awards in appendix I supports this conclusion.

CONCLUSIONS

DOD has not been able to interest many known meat purveyors in supplying beef products for its troop feeding program. This

the zero degree fahrenheit requirement is necessary to meet the services' needs of a long shelf life, a long and widely dispersed pipeline, and the varied modes of transportation used in the DOD worldwide distribution system. We reviewed the scientific data on the subject, available during our review, and found no conclusive support that either DOD's or USDA's temperature was the preferred one.

Another requirement peculiar to DOD is the number of quality assurance inspections performed on beef products. USDA performs an in-plant inspection to certify that a product meets specification requirements. In addition, the Army's Health Services Command inspects a product when it arrives at its destination for identification, quantity, and condition. The Health Services Command also performs quality audit inspections (post acceptance inspections) of products held in Defense Logistics Agency cold storage warehouses. Random selection is used in choosing the supplier and in selecting the product. These inspections duplicate USDA in-plant inspections. A rejection of a contractor's products could result from any of the three inspections. This system adds to the risks of doing business with the Government and is reflected in higher prices. The customary commercial practice is to accept or reject a product when it is delivered. In responding to our questionnaire, purveyors said they believe once the product is certified by USDA in-plant inspectors, it should be considered acceptable.

Military packing and packaging of meat products is different from commercial methods to the point that the process requires a change in a supplier's production line. The military services have determined that commercial standards are not adequate to meet their requirements for storage and handling. Consequently, the military services' requirements have the effect of increasing the prices of beef products for DOD.

Our questionnaire survey indicated most suppliers believe DOD quality assurance provisions and packaging specifications are still more complex than those required by their other customers. Specifically, 79 percent of the suppliers said DOD specifications, in general, caused their companies difficulty in competing for DPSC contracts. About 73 percent of the suppliers indicated the quality assurance requirements caused them difficulty. Examples of contractors' comments follow:

"* * * product specifications are too strict for a small company to be competitive* * *. "

"The DPSC temperature restrictions for frozen beef are too strict."

"* * * once a shipment/lot is inspected * * * by a USDA point of origin inspector,* * * why should vendor be held liable for the product undergoing subsequent inspections."

lack of interest can be attributed to industry's perceptions of the difficulty of doing business with DOD, the types of items being procured, and DPSC/DOD procedures. We believe DOD can increase the number of beef purveyors competing for its troop feeding program if it changes its specifications to provide long-term commitments to purveyors to help defray startup costs and to compensate for risks taken.

We believe the awarding of long-term contracts would overcome many of the meat purveyors' concerns about special requirements and problems with quality assurance inspections. DOD's continued attention to more timely payments should reduce the concerns in that area.

RECOMMENDATIONS

We recommend that the Secretary of Defense adopt the use of long-term contracts for DOD's troop feeding program. These contracts should be of sufficient duration and quantity to enable new suppliers to defray the startup costs involved in meeting special military requirements. We also recommend that DPSC review the different forms of long-term contracts available; determine their effects on procurement, storage, and distribution; and select the most effective method(s).

AGENCY COMMENT

DOD concurred with this recommendation. DPSC is currently analyzing less frequent and larger purchases of beef products and is determining whether such purchases will require the leasing of additional storage.

CHAPTER 4

INCREASED COORDINATION NEEDED BETWEEN DOD AND USDA

Better coordination is needed between DOD and USDA in developing and revising food specifications, exchanging information on post acceptance inspections, and enforcing uniform quality assurance requirements. The need for such coordination stems from the transfer of specification control and in-plant inspection functions from DOD to USDA. Although the agencies have resolved many problems associated with the transfer, we found that (1) DOD was using specifications which USDA had not approved, (2) USDA was not making effective use of DOD post acceptance inspections, and (3) USDA was using different quality assurance requirements than those used by DOD. As a result, suppliers have experienced difficulties which they claim have increased costs when performing under DOD contracts and have reduced the effectiveness of DOD's quality assurance program.

Under the current organizational structure, USDA is involved in two important aspects of DOD's beef procurement program. USDA's Food Quality Assurance Division manages the Federal specification system for food items and approves all specifications used by DPSC to procure beef for feeding troops. Its Meat Grading Branch, Meat Quality Division, performs in-plant inspections for these items when procured by DOD.

In addition to USDA, the Army's Natick Research and Development Laboratories and Health Services Command have specification and inspection functions relative to the procurement of beef. Natick Laboratories acts as the services' representative in developing and revising all food specifications. The Health Services Command is responsible for making all receipt (destination) inspections and post acceptance (quality audit) inspections at DPSC receiving activities.

SPECIFICATION CHANGES

In April 1980 USDA published a handbook which contains procedures to be followed by Federal agencies in preparing, maintaining, and coordinating specifications used to purchase food. However, apparently during portions of 1980 and 1981, DOD caused problems by not coordinating specifications for beef used to feed troops.

For example, DOD did not properly coordinate changes it made to the specifications used to procure frozen ground beef. USDA personnel responsible for performing in-plant inspections were not notified of changes in product formulation of ground beef. Thus, inspectors held up the production line, and the result was time lost and confusion until the problem was resolved. In

another instance, DOD changed the processing instructions for beef chunks. The change altered the product to the extent that USDA inspectors could not certify that the beef chunks complied with specifications.

According to USDA, these cases are indicative of a recurrent, general problem in which changes were made by DOD to food specifications without prior notification, coordination, or concurrence by USDA. Although some of these changes were apparently minor, the results were the same--confusion and misunderstanding. In addition, changes made in this manner are contrary to the Government-wide food quality assurance program's objective of fully coordinating changes to food specifications before implementation.

UNIFORM QUALITY ASSURANCE REQUIREMENTS

We reviewed the quality assurance requirements of DOD and USDA and found the agencies need to improve coordination in the following areas.

Temperature control requirements

DOD and USDA currently have different temperature control requirements related to the freezing of beef items procured for their respective agencies. In procuring frozen ground beef for its school lunch program, USDA enforces one requirement (10 degrees fahrenheit), while DOD enforces a different, more restrictive requirement (zero degree fahrenheit) for its troop feeding program.

Issues and concerns exist relating to

--the need for DOD's more restrictive temperature control requirement and

--the reason for different USDA and DOD temperature requirements.

These issues have been debated since USDA assumed the in-plant inspection responsibilities for DOD procurements and have yet to be resolved. USDA does not consider DOD's temperature requirement to be a practical one since most beef purveyors do not have the equipment to meet DOD's requirement. USDA was not aware of any scientific studies to support either temperature as the desired one. USDA believes that any harmful effect, such as bacteriological growth, occurring due to the difference is insignificant.

Under the current situation, USDA in-plant inspectors must enforce two different standards for temperature control--many times at the same purveyor's plant. Also, to the extent that DOD's requirement is unnecessarily restrictive, DOD is no doubt incurring additional procurement costs associated with the added costs assumed by suppliers.

Inspection criteria

There are differences in inspection techniques between DOD and USDA. Both agencies have been aware of these differences, and in December 1980 USDA and DOD conducted a quality workshop to develop definitive inspection standards. In addition, the workshop was directed toward ensuring that procedures used by DOD inspectors were compatible with those used by USDA personnel. Although some of these differences have been resolved, others remain. Because of these differences, a supplier is uncertain that material accepted at a plant by USDA will not be rejected by DOD in post acceptance inspections.

Several suppliers indicated that rejection by DOD of products which USDA inspectors have accepted places them in double jeopardy, and the prices being offered to DOD reflect this risk. In responding to our questionnaire, 16 of the 31 suppliers who had less than 100 awards in 1980 stated that their fear that inspection at destination would be too strict was definitely a reason for not submitting offers on DPSC contracts. One supplier stated, "Once shipment has been inspected and accepted at point of origin, the contractors should not be held for subsequent inspections." The fact that receipt and post acceptance inspections are of such concern is further evidence of the need for uniform inspection procedures between USDA and DOD.

There are apparently differences in the sampling techniques between USDA and DOD. DOD inspectors use the "grand lot" (i.e., total contract quantity) concept for sampling, while USDA uses a "sub lot" concept (i.e., one day's or one shift's production). Other differences presumably exist because USDA has not always agreed with DOD when the Health Services Command identified products which it determined to be nonconforming and subject to warranty action. In most instances, USDA re-inspections supported the in-plant inspectors' acceptance of the product and overruled DOD.

In a recent re-inspection where DOD rejected the entire shipment of beef, USDA accepted two of the lots in the shipment and rejected the others.

All differences in approach between DOD and USDA should be resolved and one unified approach should be adopted toward quality verification. The purveyors would then have limited concern over post acceptance if they are performing satisfactorily, and the Government would not present two different approaches to industry.

CONCLUSIONS

DOD and USDA have not fully coordinated the various changes in operations resulting from USDA assumptions of roles previously performed by DOD. Our review has shown that:

--Specification changes have been included in DPSC contracts without proper coordination with USDA.

--Quality assurance provisions relating to temperature and product inspection requirements differ between DOD and USDA.

As a result of this lack of coordination, the purveyor is faced with differing standards where there should be one. These differing standards result in increased prices without any apparent additional benefits.

RECOMMENDATION

We recommend that the Secretary of Defense establish direct lines of communication with USDA on the above problems and coordinate actions with USDA to correct problem areas. In addition, differences in standards between USDA and DOD should be justified, or one requirement be agreed upon and adopted by both parties.

AGENCY COMMENTS AND OUR EVALUATION

DOD and USDA concurred with the need to establish and maintain close coordination on such subjects as quality assurance requirements and food specifications.

However, DOD did not concur that both agencies should adopt a standard product temperature if it is higher than zero degree fahrenheit. DOD believes that a beef product frozen and placed in cold storage at a temperature higher than zero degree fahrenheit does not provide the shelf life necessary for its worldwide distribution system.

Beef products frozen and maintained at zero degree fahrenheit have a reported minimum shelf life of 10 months. Previous studies of DOD's frozen beef inventory show a turnover rate of 11 times a year. Ideally, most military facilities within the continental United States should be receiving beef products no older than 45 to 60 days. Many beef products are shipped directly from the supplier to the military facility that requested the product. USDA achieves a 6-month shelf life for its frozen beef products using 10 degrees fahrenheit. These products are shipped all over the United States for use in the school lunch program.

We agree the beef products shipped overseas and stored aboard ships for lengthy voyages require a longer shelf life than the products shipped, stored, and consumed within the continental United States. We believe DOD should reconsider its position on this issue. In considering this data, we propose that DOD review the possibility of segregating the beef products bound for overseas

customers and adopt USDA's less stringent temperature requirement for its continental United States customers. We believe DOD would realize a cost savings and an increase in the number of meat purveyors willing to compete for DOD beef contracts.

APPENDIX I

ANALYSIS OF OFFERS RECEIVED

ON SOLICITATIONS FOR BEEF ITEMS

Number of Offers Received by Line Item

From September 24, 1980, to October 20, 1980

Item	Line items	No. of offers received				
		1	2	3	4	5 or more
Ground beef bulk	76	2	22	39	9	4
Ground beef patties	78	1	19	54	4	-
Oven roast	31	-	1	8	21	1
Pot roast	34	-	1	17	16	-
Stewing beef	25	-	-	13	12	-
Swiss steak	25	-	8	15	2	-
Strip loin steak	19	-	3	11	5	-
Rib eye steak	7	-	-	5	1	1
Butt loin steak	8	-	-	2	3	3
Total	303	3	54	164	73	9

Number of Awards Received by Selected Contractors

in Relation to Offers Received From

September 29, 1980, to December 31, 1980

Item	Contractors offering	Line items awarded	No. of contractors awarded the bulk of line items	
			Contractors	Awards
Ground beef bulk	11	188	3	161
Ground beef patties	8	199	3	190
Stewing beef	7	61	2	50
Oven roast	6	91	3	80
Pot roast	7	82	4	79
Swiss steak	6	62	2	48
Strip loin steak	7	40	3	40
Rib eye steak	7	30	2	24
Butt loin steak	7	20	3	19
Total		773		691

TECHNICAL ASPECTS OF NATIONWIDE QUESTIONNAIRE SURVEY OF BEEF COMPANIES

BACKGROUND

DPSC is responsible for acquiring fabricated beef items for the military services (troop feeding). Potential suppliers receive solicitations for contracts and are included on a DPSC Bidders Mailing List. The Bidders Mailing List used to procure carload quantities of beef items is Bidders List Number 16. As of January 1981, List Number 16 included the names of 79 companies that were potential suppliers of beef products for troop feeding.

Throughout 1980, the period covered by our review, all DPSC carload contracts awarded for beef products used to feed troops were awarded to small business enterprises.

SURVEY UNIVERSE(S)

We sent questionnaires to all 79 purveyors included on List Number 16 as of January 1981. We later adjusted this universe to 60 purveyors because we determined that 19 were not potential suppliers of beef products during 1980.

Of the 60 purveyors, we received 51 usable responses, or 85 percent. These were located throughout the country and ranged in size in terms of number of employees from under 20 to over 200 and in percentage of business conducted with DPSC from zero to 80.

We also mailed questionnaires to 32 selected purveyors that had been deleted from List Number 16 as of January 1981. We determined that 10 companies were no longer potential suppliers of beef items for troop feeding. However, we did receive usable responses from 8 of these companies.

PURPOSE OF QUESTIONNAIRE

The purpose of our survey was to gain insight into why only a relatively limited number of companies are participating in DPSC's procurement program and why, in many instances, DPSC achieves little competition for individual line items being procured.

Contractors were requested to evaluate, on the basis of their experiences throughout 1980, various aspects of DPSC's procurement program. Contractors were also given the opportunity to provide their opinions and recommendations about DPSC's procurement program.

The following tables were developed from our questionnaire survey.

Table 1

Contractors Surveyed for Information on

DPSC's Procurement Program

	All contractors on List No. 16 as of January 1981	Selected contractors formerly on List No. 16 but deleted as of January 1981
Universe	79	32
Mailed questionnaires	79	32
Adjustments:		
Out of business	6	5
Did not produce beef items	7	2
New company - no 1980 experience	5	-
Duplicate	1	-
Undeliverable	-	3
Total	19	10
Adjusted universe	60	22
Responses	51	8
(Percent)	(85)	(36)

APPENDIX II

Table 2

Number of Awards Received by Meat Purveyors Supplying Beef For Troop Feeding During 1980

No. of awards received	Total no. of suppliers
1-10	22
11-100	9
101-500	5
Over 500	2
	38

U.S. GENERAL ACCOUNTING OFFICE

SURVEY OF BEEF PROCESSING COMPANIES
ABOUT THE DEFENSE PERSONNEL SUPPORT CENTER
PROCUREMENT PROCESS

INTRODUCTION

This survey is being conducted by the U.S. General Accounting Office, the agency of Congress responsible for oversight of all Federal expenditures. The purpose of this questionnaire is to obtain information about how companies that process beef evaluate the DPSC procedures for procuring beef. The results may contribute to improving the DPSC procurement process.

This questionnaire is confidential. No one outside of GAO will be told how you responded. Survey results will be presented in aggregate form.

Throughout this questionnaire there are numbers printed within parentheses to assist our keypuncher in coding responses for computer analysis. Please disregard these numbers.

It should take about 15 to 20 minutes to complete the questionnaire. Please complete and return it within 10 days, if possible. If you have any questions contact Joseph Sternberg at (215) 952-3316.

Your response is necessary. We cannot make meaningful recommendations unless we hear from you and people like you. Thank you for your cooperation.

Name of person completing form:

_____

Telephone # :_____

1. How many times during 1980 did your company bid on DPSC solicitations for beef items? Please give best estimate.

_____ (number of times) (4-6)

2. How many times during 1980 was your company awarded a DPSC contract for beef? Please give best estimate.

_____ (number of times) (7-9)

3. Approximately how many full-time employees does your company currently have? (Check one.)

1. ☐ Under 20 (10)
2. ☐ 20 to 49
3. ☐ 50 to 99
4. ☐ 100 to 149
5. ☐ 150 to 199
6. ☐ 200 or more

4. About what percent of your company's total sales volume in 1980 was to each of the following types of customers?

DPSC	_____ %	(11-13)
Other Federal, state and local government	_____ %	(14-16)
Institutional (HRI)	_____ %	(17-19)
Commercial	_____ %	(20-22)
Other	_____ %	(23-25)
Total sales for 1980	100 %	

5. Which, if any, of the following beef products does your company normally process for its institutional, Federal, state, and local government customers other than DPSC? (Check all that apply.)

1. ☐ Ground beef (26)
2. ☐ Beef roast (27)
3. ☐ Beef steaks (28)
4. ☐ Swiss steaks (29)
5. ☐ Beef for stew (cubed beef) (30)
6. ☐ Other beef products (please specify) (31)

__ _____ .

6. Consider all the orders that your company fills for institutional, Federal, state, and local government customers other than DPSC. How often is the charge for the beef based on FOB shipping point rather than FOB destination point? (Check one.)

1. ☐ Most often the charge is FOB shipping point (32)
2. ☐ About half the time the charge is FOB shipping point
3. ☐ Less than half the time the charge is FOB shipping point

APPENDIX III

7. Consider all payments received for beef orders from your company's institutional, Federal, state and local government customers other than DPSC in 1980. About what percentage of these other payments were received within each of the following time frames?

7 days or less	_____%	(33-35)
8 to 15 days	_____%	(36-38)
16 to 30 days	_____%	(39-41)
More than 30 days after delivery	_____%	(42-44)

8. Again, consider your company's orders from institutional, Federal, state and local government customers other than DPSC. How many orders are to provide a specific amount of beef for a given date rather than over a period of time? (Check one.) (45)

1. ☐ Most are to provide a specific amount of beef for a given date
2. ☐ About half are to provide a specific amount of beef for a given date
3. ☐ Less than half are to provide a specific amount of beef for a given date

9. Compare the specifications that DPSC uses for processing beef with those used by your company's other institutional, Federal, state and local government customers. Are the DPSC specifications less complex, about as complex as, or more complex than the others? (Check one.) (46)

1. ☐ DPSC specifications are less complex than the others
2. ☐ DPSC specifications are about as complex as the others
3. ☐ DPSC specifications are more complex than the others

10. Compare the rate at which DPSC solicits orders for beef with that of your other institutional, Federal, state and local customers. Does DPSC solicit orders for beef less frequently than, about as frequently as, or more frequently than the others? (Check one.) (47)

1. ☐ DPSC solicits less frequently than the others
2. ☐ DPSC solicits about as frequently as the others
3. ☐ DPSC solicits more frequently than the others

11. Compare the promptness of payments for DPSC orders with the promptness of payments for your company's other institutional, Federal, state and local government orders. Are payments for DPSC orders received less promptly, about as promptly as, or more promptly than the others? (Check one.) (48)

1. ☐ DPSC payments received less promptly
2. ☐ DPSC payments received about as promptly
3. ☐ DPSC payments received more promptly

12. Compare DPSC payment terms with those of your company's other institutional, Federal, state and local government customers. Are DPSC payment terms less complicated than, about as complicated as, or more complicated than the others? (Check one.) (49)

1. ☐ Less complicated than the others
2. ☐ About as complicated as the others
3. ☐ More complicated than the others

13. Compare the frequency with which payment adjustments are made for beef products sold to DPSC with those made to your company's other institutional, Federal, state and local government customers. Are payment adjustments to DPSC made less often than, about as often as, or more often than payment adjustments to the others? (Check one.) (50)

1. ☐ DPSC adjustments made less often than others
2. ☐ DPSC adjustments made about as often as others
3. ☐ DPSC adjustments made more often than others
4. ☐ No basis to judge

APPENDIX III

14. Based upon your company's experience, how do DPSC solicitations/orders for beef items compare with orders from other institutional, Federal, state and local government customers in the following areas? (Check one column for each row.)

	1 DPSC much less than others	2 DPSC somewhat less than others	3 DPSC about the same as others	4 DPSC somewhat greater than others	5 DPSC much greater than others	6 No basis to judge	
1. Amount of paperwork required							(51)
2. Clarity of specifications used							(52)
3. Amount of time usually allowed between order and delivery							(53)
4. Amount of payment adjustments for non-conforming beef							(54)
5. Extent of quality control requirements							(55)
6. Extent of packaging requirements							(56)
7. Strictness of enforcement of quality control requirements							(57)
8. Strictness of enforcement of packaging requirements							(58)
9. Strictness of enforcement of marking requirements							(59)

USDA INSPECTORS

15. DPSC requires the presence of a USDA inspector to perform point-of-origin inspections on its orders. To what extent, if at all, does this interfere with the normal operation of your plant? (Check one.) (60)

1. ☐ To little or no extent
2. ☐ To some extent
3. ☐ To a moderate extent
4. ☐ To a great extent
5. ☐ To a very great extent
6. ☐ No basis to judge

16. Does your company have a full-time USDA point-of-origin inspector at your plant? (Check one.) (61)

1. ☐ Yes (Skip to question 19)
2. ☐ No (Continue)

17. Does your company pay the travel expenses of the USDA point-of-origin inspector when he visits your plant to inspect a DPSC order? (Check one.) (62)

1. ☐ Yes
2. ☐ No

18. Consider the procedures and expenses involved in obtaining a USDA point-of-origin inspector for a DPSC order. How much difficulty, if any, does this cause your company? (Check one.) (63)

1. ☐ Little or no difficulty
2. ☐ Some difficulty
3. ☐ Moderate amount of difficulty
4. ☐ Great amount of difficulty
5. ☐ Very great amount of difficulty
6. ☐ No basis to judge

DPSC PROCEDURES PRIOR TO THE USE OF IMPS

Between April 1978 and April 1979, DPSC made a transition from military specifications to Institutional Meat Purchase Specifications (IMPS) on an incremental basis for the procurement of beef items. Questions 19 through 24 compare the IMPS with the previous DPSC specifications.

APPENDIX III

19. Was your company on the DPSC bidders list prior to DPSC use of IMPS? (Check one.) (64)

1. ☐ Yes (Continue)
2. ☐ No (Skip to question 25)
3. ☐ Can't recall (Skip to question 25)

20. Compare the strictness of the specifications your company currently receives from DPSC with those received from DPSC prior to the use of IMPS. Are the current specifications less strict, about as strict as, or more strict than the previous specifications? (Check one.) (65)

1. ☐ Less strict than previously
2. ☐ About as strict as previously
3. ☐ More strict than previously
4. ☐ Can't recall

21. Compare the clarity of current DPSC specifications with those your company received from DPSC prior to the use of IMPS. Are the current specifications less clear, about as clear as, or more clear than the previous specifications? (Check one.) (66)

1. ☐ Less clear than previously
2. ☐ About as clear as previously
3. ☐ More clear than previously
4. ☐ Can't recall

22. Compare the complexity of current DPSC specifications with those your company received from DPSC prior to the use of IMPS. Are the current specifications less complex, about as complex as, or more complex than the previous specifications? (Check one.) (67)

1. ☐ Less complex than previously
2. ☐ About as complex as previously
3. ☐ More complex than previously
4. ☐ Can't recall

23. Compare the strictness of the current DPSC requirements for quality control (inspections), packaging and marking procedures with those that DPSC required prior to the use of IMPS. Are the current procedures more or less strict than the prior ones? (Check one column for each row.)

PROCEDURES	1 Less strict than previously	2 About as strict as previously	3 More strict than previously	4 Can't recall	
1. Quality control (inspections)					(68)
2. Packaging					(69)
3. Marking					(70)

24. Compare the amount of paperwork currently required to process DPSC contracts with that required prior to the use of IMPS. Is the amount of paperwork currently required less or more than the amount previously required? (Check one.) (71)

1. ☐ Less than previously
2. ☐ About the same as previously
3. ☐ More than previously
4. ☐ Can't recall

1 (80)

Dup (1-3)

APPENDIX III

OVERALL ASSESSMENT

25. How much difficulty, if any, does each of the following requirements cause your company when competing for DPSC contracts? (Check one column for each row.)

REQUIREMENTS	1 Little or no difficulty	2 Some difficulty	3 Moderate amount of difficulty	4 Great amount of difficulty	5 Very great amount of difficulty	6 No basis to judge	
1. Size of DPSC orders							(4)
2. Frequency of DPSC solicitations							(5)
3. DPSC specifications in general							(6)
4. DPSC packaging requirements							(7)
5. DPSC marking requirements							(8)
6. DPSC quality control (inspections)							(9)
7. FOB destination point price requirement							(10)
8. Amount of paperwork							(11)
9. Cost of USDA point-of-origin inspectors							(12)
10. Likelihood that a payment adjustment would be made							(13)

26. Did your company receive any solicitations for beef items from DPSC in 1980? (Check one.) (14)

1. ☐ Yes (Continue)

2. ☐ No (Skip to question 28)

27. Consider the DPSC solicitations in 1980 on which your company did not bid, even though they were for beef products you normally process. How frequently, if at all, was each of the following factors the primary or most important reason why your company did not bid? (Check one column for each row.)

FACTORS	1 Always or almost always	2 Very frequently	3 Frequently	4 Not very frequently	5 Never or almost never	
1. The specifications in general were too strict						(15)
2. The quality control (inspections) required were too strict						(16)
3. The packaging requirements were too strict						(17)
4. The marking requirements were too strict						(18)
5. The cost of USDA point-of-origin inspectors too high						(19)
6. The paperwork requirements were too great						(20)
7. The size of the orders was too small						(21)
8. The size of the orders was too large						(22)
9. The FOB destination point price would be too high						(23)
10. The expected delivery date was too soon						(24)
11. The inspection at the destinations would be too strict						(25)
12. The payment adjustments for non-conforming beef would be too great						(26)
13. The time between delivery and receipt of payment would be too long						(27)

28. If you have any additional information or comments about the issues this questionnaire is concerned with please express them below. Thank you for your cooperation. (28)

APPENDIX IV

PRIOR REPORTS ON DOD'S FOOD PROCUREMENT PROGRAM

Organization	Year	Report title	Findings
GAO	1972	Report to Commander, DPSC on beef being procured from Central Beef Corporation. (Code 81640, June 23, 1972.)	Nonconforming products were delivered by contractor because of --unreliable contractor controls, --understaffing of Boston veterinary inspectors, --weak contract administration, and --lack of control of beef during shipment.
GAO	1975	"Methods of Purchasing Food for the Military Services are Costly and Inefficient." (LCD-74-430, Jan. 14, 1975.)	Need to revise specification and procurement requirements to be more in accordance with accepted commercial practices.
GAO	1975	Report to Senator Vance Hartke on the DOD decision to buy USDA choice grade instead of Good Grade beef for troops. (LCD-75-428, Mar. 19, 1975.)	DOD should reconsider its decision to purchase choice, instead of good grade, beef for troops because of the questionable benefit for the increased costs.
GAO	1976	"Procurement of Beef by the Department of of Defense--Are We Getting Our Money's Worth." (PSAD 76-142, May 25, 1976.)	Problems in DOD's beef procurement system caused delivery of beef of lesser quality than specified and paid for. Specifications were too stringent and in-plant inspections were not adequate. Improvements were needed in the award and administration of contracts for beef. (See ch. 2 of this report for details.)

GAO	1978	Report to the Chairman, Subcommittee on Federal Spending Practices and Open Government. (PSAD 78-40, Jan. 31, 1978.)	Evaluated actions taken or not taken on recommendations in prior GAO and two DOD reports on food procurements. Only limited actions were taken by DOD. GAO recommended the Secretary of Defense implement needed reforms in food procurement practices and procedures which had not been adopted. (See ch. 2 of this report for details.)
GAO	1979	Report to Defense Personnel Support Center on our review of DOD's pork purchasing. (PSAD-80-9, Oct. 26, 1979.)	Commercial specifications for selected pork products have been used with some savings. But, military specifications for bacon were made more stringent with no apparent effect other than to increase the costs to the Government and reduce the number of suppliers. In reply to this report, the specifications for bacon were to be revised.
Senate Subcommittee on Federal Spending Practices and Open Government, 95th Congress, 2d Session.	1978	Report on military meat procurement. (Apr. 1978.)	The findings of the Subcommittee's investigation follow: --Competition nonexistent. From a possible base of 2,500 meat packers, 2 or 3 were often the only bidders and suppliers of beef items. --Specifications too rigid and complex. Unnecessarily rigid and complex specifications prevented competition and increased prices.

APPENDIX IV

			--No one in charge. Confused and fragmented lines of authority existed. Within the various chains of command, superiors who were told of abuses either did nothing or were rebuked when they took action. --Inspectors mismatched. Veterinary corps personnel did not perform effective in-plant quality inspections. --Bureaucratic complexity. Because of the bureaucracy involved in prosecuting fraudulent practices, contractors delivered defective meat with the belief that even if caught cheating they would not be indicted.
DOD	1976	DOD Task Group on Subsistence Procurement. (Final Report, Aug. 23, 1976.)	A DOD task group evaluated DOD procurement methods and practices and recommended changes to the subsistence procurement system. The report contains 83 recommendations to provide a sound and effective procurement system with appropriate checks and balances.
DOD	1976	General Officer Ad Hoc Committee on Subsistence, Department of the Army. (Final assesment, Aug. 1976.)	The committee found a variety of system weaknesses at all levels caused the DOD subsistence procurement and inspection system to break down. The report contains 85 recommendations to improve and strengthen the system.

APPENDIX IV

DOD	1980	Report on the Audit of Procurement and Contract Administration for Subsistence Specification Items, Defense Personnel Support Center, by the Defense Audit Service. (No. 81-020, Nov. 24, 1980.)	Improvements needed in the Center's procurement procedures and practices. They involved the processes used for solicitation and evaluation of subsistence supplies and included the following: --DOD and Center procedures for analyzing cost and pricing data were not being followed. --Bidders lists were not maintained and updated in accordance with DOD regulations, and the extent of competition was substantially overstated. --Procedures established to identify and collect compensation from contractors for late delivery and product nonconformance were not always followed. --Some suppliers were continually awarded contracts although they had demonstrated a record of delivering material not conforming to specifications.

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